- Financial Issues

Chapter Outline

- Financial Issues
- Third Party Programs
- Online Adjudication
- Rejected Claims
- Other Billing Procedures

Financial Issues

- Third party program
  - Another party (Insurance company or government) besides the patient that pays for some or all of the cost of the medication.
- Pharmacy benefit managers (PBM)
  - Companies that administer drug benefit programs. e.g. Advance PCS, Caremax, Medco Health.

Financial Issues

- Online adjudication
  - Processing of prescription coverage through the communication of the pharmacy computer with the third party computer.
- Co-insurance
  - An agreement for cost sharing between the insurer and the patient. One aspect of coinsurance is co-pay.

Financial Issues

- Co-pay
  - The portion of the price of medication that the patient is required to pay.
  - The amount determined by the insurer is NOT equal to the retail price normally charged. It is determined by a formula described in a contract between the insurer and the pharmacy.

Financial Issues

- Dual Co-pay
  - Co-pay that has two prices: one for generic and one for brand medications.
- Deductible
  - A set amount that must be paid by the patient for each benefit period before the insurer will cover additional expenses.

Financial Issues

- Maximum allowable cost (MAC)
  - The maximum price per tablet an insurance company will pay for a given product.

Financial Issues

- Participating pharmacy
  - A Pharmacy that signs a contract with PBM before patients can get their prescription filled at that particular pharmacy.
- The maximum amount of payment for a given prescription as determined by the insurer as a reasonable price.
- Usual and Customary (U&C) Also referred as usual, customary and reasonable (UCR)

Third Party Programs Overview

- Private Health Insurance
- Managed Care Programs
- Public Health Insurance
- Other Programs

Private Health Insurance

- A health plan provided through an employer or union or purchased by an individual from a private health insurance company.
- Deductible
  - A set amount that must be paid by the patient for each benefit period before the insurer will cover additional expenses.

Private Health Insurance

- Prescription drug benefit cards
  - Cards that contain third party billing informant for prescription drug purchases.
- Remember - some PHI plans still do not provide prescription drug coverage

Managed Care Programs

- Health Maintenance Organizations (HMOs)
  - Made of a network of providers who are either employers or have a signed contracts to abide by the polices of the HMO.
  - Usually WILL NOT PAY expenses incurred outside their participating network.

Managed Care Programs

- Preferred Provider Organizations (PPOs)
  - A network of providers contracted by the insurer.
  - PPOs are the most flexible for members in choosing their healthcare providers outside the network but cost more in premiums.

Managed Care Programs

- Point-of-Service Programs (POS)
  - A network of providers contracted by the insurer.
  - Patients enrolled in a POS choose a primary care physician (PCP).
    - If the patients need care outside the network, the PCP has to submit a REFERRAL for such care.
    - POS usually pay partial expenses.
- They all require generic substitutions except PPOs

Public Health Insurance

- Medicare
  - A federal program providing health care to people with certain disabilities or who are over age 65.
  - Includes basic hospital insurance, voluntary medical insurance, and voluntary prescription drug insurance.

Public Health Insurance

- Medicare Part A
  - Covers inpatient hospital expenses and some hospice (end of life care) expenses.

Public Health Insurance

- Medicare Part B
  - Covers doctor's services as well as some other medical services not covered by Part A.
  - Patients who pay monthly premiums for this medical coverage are covered by Part B.
- Medicare Part D
  - Prescription drug coverage
  - Added monthly premium

Medicaid

- Medicaid
  - A federal-state program.
  - Usually run by State welfare department.
  - Provides health care for the needy (or low income individuals).
  - Each state decides who is eligible for benefits.

Medicaid

- A prescription drug formulary
  - A list of drugs that are covered by Medicaid.
- Prior authorization
  - Required for drugs that are not on Medicaid formulary.

Other Program

- Workers Compensation
  - An employer compensation program for employees accidentally injured on the job.
- Patient Assistance Program
  - Manufacturer sponsored prescription drug programs for the needy.

Online Adjudication

- A process to determine the exact coverage for a prescription with the appropriate third party using the pharmacy computer system.
- Generally the pharmacy technician's responsibility is to obtain the patient, prescription, and billing information.

Online Adjudication

- Steps in Online Adjudication.

1. A patient presents a prescription and a prescription drug card.
2. It is entered into the pharmacy computer.
3. Billing information for the prescription is then transmitted to a processing computer for the insurer or PBM.

Online Adjudication

- Steps in Online Adjudication.

4. An online response is received in less than one minute in the pharmacy.
5. The claim-processing computer instantly determines the dollar amount of the drug benefit and the appropriate co-pay.

Online Claim Information

- Dispense As Written (DAW) referrers to dispense the medication (brand drug name) without substitution with generic drug.
- DAW Indicators
  - 0 = No DAW.
  - 1 = DAW handwritten on the prescription by the prescriber.
  - 2 = Patient requested brand.
  - 3 = Pharmacist selected brand.
  - 4 = Generic not in stock.

Online Claim Information

- DAW Indicators
  - 5 = Brand name dispensed but priced as generic.
  - 6 = N/A
  - 7 = Substitution not allowed; brand mandated by law.
  - 8 = Generic not available.

Common Rejection Code

- NDC not covered
  - Common with closed formularies.
  - This message comes if the drug is not paid by the insurer.
- Refill too soon
  - Most third party plans pay for a limited number days.

Common Rejection Code

- Invalid personal code
  - Code 01 (card holder), 02 (spouse); 03, 04, 05 etc. (each additional dependent).
  - If the spouse is given Code 01 or 03, the invalid personal code will show up.

Rejected Code

- Other Rejected claims
  - Dependent exceeds age limit.
  - Invalid birth dates.
  - Invalid gender.
  - Prescriber is not a network provider.
  - Unable to connect with insurer's computer.

Rejected Code

- Other Rejected claims
  - Patient not covered (coverage terminated).
  - Refills not covered (need to be filled by mail order pharmacies).
- Most rejected claims can be resolved over the phone by talking to a representative from the insurer company.
- Pharmacy technicians usually resolve claim rejection problems.

Billing Forms

- A Universal claim form (UCF)
  - A standardized form accepted by many insurers.
  - Before electronic forms were available, pharmacies were submitting UCF to claim charges.

Billing Forms

- CMS-1500 (formerly HCFA 1500)
  - The standard form used by health care providers, such as physicians, to bill for services.
  - Used by pharmacists to bill for disease state managed services.
- Disease State Management Services
- In-house billing

Medication Therapy Management Services (MTMS)

- Approved via Medicare Part D and provides service to some Medicare beneficiaries that are taking multiple medications or have certain diseases.
- Pharmacy technicians have an important responsibility for billing these services and maintaining necessary documentation.

Medication Therapy Management Services (MTMS)

- The CMS-1500 form
  - Used for billing through Prescription Drug Plans (PDPs).
  - Pharmacist or pharmacy offering the services must be enrolled as a provider for the patient's PDP and have a National Provider Identifier (NPI).
- Current Procedural Terminology Codes (CPT Codes) provide a systematic way to bill for the services provided.

Billing Third Party

- Medication Therapy Management Services (MTMS)
  - Services provided to some Medicare beneficiaries who are enrolled in Medicare Part D and who are taking multiple medications or have certain diseases.
- Prescription Drug Plans (PDPs)
  - Third party programs for Medicare Part D.

Billing Third Party

- National Provider Identifier (NPI)
  - The code assigned to recognized health care providers; needed to bill MTMS.
- Current Procedural Terminology Codes (CPT Codes)
  - Identifiers used for billing pharmacist-provided MTM Services.
- MTMS CPT Codes
  - 99605 (first-time patient), 99606, (follow-up) and 99607 (add-on).

Business Math Used In Pharmacy Practice

- Mark-up
  - Prescription pricing is subject to governmental laws and regulations, as well as competition within the marketplace. Markup plays an important part in the pricing system
- Discount
  - A pharmacy may offer a consumer a discount, or a deduction from what is normally charged, as an incentive to purchase an item.

Terms to Remember

- 1. Patient assistance programs
- 2. Pharmacy benefit managers
- 3. POS
- 4. PPO
- 5. Prescription drug benefit cards
- 6. Prescription drug plans
- 7. Tier
- 8. U&C or UCR
- 9. Universal claim form
- 10. Worker’s compensation

Business Math Used In Pharmacy Practice

- Average Wholesale Price Application (AWPA)
  - Usually third parties reimburse a pharmacy based on the AWP less an agreed on discount. The pharmacy has an incentive to purchase a drug as far below its AWP as possible.
- Capitation Fee
  - This pharmacy without adequate controls in place to control prescribing.

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